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C O N F I D E N T I A L SEOUL 001385

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E.O. 12958: DECL: AFTER KOREAN REUNIFICATION  
TAGS: [PREL](#) [MNUC](#) [ETRD](#) [KS](#) [KN](#)  
SUBJECT: A/S HILL'S APRIL 13 MEETING WITH FORMER PM LEE  
HAE-CHAN

Classified By: Amb. Alexander Vershbow. Reasons 1.4 (b/d).

¶1. (C) SUMMARY: Former PM Lee Hae-chan told visiting A/S Hill April 13 that in recent discussions, Chinese leaders sounded disenchanted with Kim Jong-il, skeptical of his ability to extend the Kim dynasty to the next generation, and dismissive of Kim's commitment to economic reform. Lee reaffirmed President Roh's "strong will" to conclude a bilateral Free Trade Agreement, but warned of the perils of attempting to include rice in the negotiations. END SUMMARY.

¶2. (C) COMMENT: Although Lee Hae-chan stepped down as prime minister in mid-March as a result of a golfing scandal, he remains an extremely close personal and political confidant to President Roh. Lee is widely seen as having been one of the most powerful prime ministers in ROK history. Once rumored to be mulling a presidential bid, Lee appears unlikely to join the race in 2007 due to serious health concerns (liver disease) and lack of popular appeal. Since his resignation, he has returned to his seat in the National Assembly. Lee's comments on his discussions with Chinese leaders are noteworthy as he is among the ROK political world's leading China hands. In early 2003, he met Jiang Zemin and Hu Jintao as then President-elect Roh's special envoy to Beijing; his daughter completed her undergraduate studies at Beijing University. END COMMENT.

CHINESE DISENCHANTMENT WITH NORTH KOREA  
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¶3. (C) During an April 13 meeting with EAP A/S Christopher R. Hill, Rep. Lee Hae-chan expressed disappointment at Pyongyang's refusal to return to the Six Party Talks. He recalled that he had recently told the DPRK's Rim Dong-ok (First Vice Director of the Workers' Party and Vice Chairman of the Committee for the Peaceful Reunification of the Fatherland) that Pyongyang's actions were undermining those in Washington and Seoul who wanted to resolve the nuclear issue through negotiations. A/S Hill expressed dismay that Pyongyang would boycott the Six Party Talks because Macao authorities had frozen USD \$24 million in North Korean assets at Banco Delta Asia (BDA).

¶4. (C) Lee disclosed that in recent meetings, Chinese leaders had indicated to him that China assessed that making money available to build factories in the DPRK was ineffective as the North Koreans had neither the energy nor the raw materials to maintain and run the factories over any period of time. Thus, the Chinese appeared to have decided that it would be best to concentrate on selling consumer goods to the North Koreans, rather than investing in infrastructure. (NOTE: Lee did not specify to which "Chinese

leaders" he was referring. His last official high-level contact was in November 2005, when he met with President Hu Jintao and others in Beijing. END NOTE.)

¶15. (C) Moreover, Lee said, he sensed a change in the attitude that Chinese leaders held regarding Pyongyang. His Chinese interlocutors seemed skeptical that Kim Jong-il (KJI) was serious about economic reform, deriding KJI's recent visit to Chinese FEZs as a pedestrian tour. The Chinese leaders had thought that instead of touring Shanghai and Shenzhen, KJI should have visited places that were more realistic and practical models for North Korea.

¶16. (C) According to Lee, Chinese leaders also seemed to assess that KJI's regime was less stable now than previously and that the North Korean regime might not have much time left because KJI had not been able yet to pass power to his sons. "Once a leader's power begins to weaken," Lee noted, "the decline is precipitous." In the absence of a clear sign of who or what would follow KJI, it was advisable to solve the nuclear issue and establish a peace regime before the DPRK regime collapsed.

¶17. (C) Turning to the Six Party Talks, Lee said the North Koreans appeared shocked by what had happened to their Banco Delta Asia accounts and were alarmed that other banks were beginning to distance themselves from North Korea. A/S Hill warned that the situation would get worse for North Korea, and that a solution would only be possible if the North stopped its illicit activities and returned to the Six Party Talks.

#### FTA, BILATERAL ISSUES

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¶18. (C) Lee affirmed that President Roh was determined to conclude a U.S.-ROK Free Trade Agreement (FTA), despite significant political challenges. Lee acknowledged that many in Roh's core support base, including some in the ruling Uri Party, were opposed to the FTA. However, it had only been three months since the intent to start negotiations had been announced, and the party had not yet had a full debate on the issue. Lee recalled that before stepping down as prime minister, he had called for a detailed sector-by-sector analysis of the impact of an FTA, with particular attention to the automobile, textiles, and health care industries. Emphasizing Roh's personal commitment to the FTA, Lee stated that, using such data, the ROKG would undertake to win public understanding and support for the agreement. He agreed with Uri Party Chairman Chung Dong-young (SEPTTEL), however, that it would not be possible to mount this public information campaign until after the May 31 regional elections.

¶19. (C) Lee stated his belief that the ROK could not become a first-tier economy without opening its markets, although once it opened its market, ultimate success would depend on the efforts of the Korean people. He added that the ROKG would also stress to the public that the U.S.-ROK FTA would have an impact beyond the bilateral relationship; it would hone the ROK's competitiveness, making it more formidable internationally.

¶10. (C) President Roh's "strong will" to conclude an FTA was important, Lee pointed out, but U.S. willingness to make reasonable concessions would also be key for the FTA's success. He warned that insistence on including rice in the FTA negotiations would prove problematic because of the unique and sacrosanct status of rice in the minds of the Korean people. The ROKG had been able to address the screen quota and beef issues for the sake of the FTA, but rice was different. The ROKG wanted to do what was rational, and the Korean people were increasingly mature in their attitudes -- except when it came to rice, Lee stressed.

¶11. (U) A/S Hill has cleared this cable.  
VERSHBOW